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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
Case No. 08-13555-scc

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In the Matter of:

LEHMAN BROTHERS HOLDINGS INC.,

Debtor.

- - - - -x

United States Bankruptcy Court
One Bowling Green
New York, New York

February 27, 2017
9:34 AM

B E F O R E:
HON. SHELLEY C. CHAPMAN
U.S. BANKRUPTCY JUDGE

1 08-13555-scc Lehman Brothers Holdings Inc.
2 Ch 11
3 Trial on Lehman's Objection to Claims of QVT [Doc #17468
4 Debtors' One Hundred Fifty-Fifth Omnibus Objection to Claims]

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25 Transcribed by: Lisa Beck and Dawn South

1 A P P E A R A N C E S :

2 JONES DAY

3 Attorneys for Debtors

4 250 Vesey Street

5 New York, New York 10281

6

7 BY: LAURI W. SAWYER, ESQ.

8 JAYANT W. TAMBE, ESQ.

9 RYAN J. ANDREOLI, ESQ.

10 JENNIFER DEL MEDICO, ESQ.

11 REBEKAH BLAKE, ESQ.

12 SARAH EFRONSON, ESQ.

13 DAVID P. SULLIVAN, ESQ.

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25

1 HOGAN LOVELLS US, LLP

2 Attorneys for QVT

3 875 Third Avenue

4 New York, New York 10022

5

6 BY: DENNIS H. TRACEY, III, ESQ.

7 WILLIAM M. REGAN, ESQ.

8 NICOLE E. SCHIAVO, ESQ.

9 JOHN D. BECK, ESQ.

10 BEN LEWIS, ESQ.

11 ROBIN E. KELLER, ESQ.

12 DARYL L. KLEIMAN, ESQ.

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P R O C E E D I N G S

THE COURT: Hello, everyone. How are you?

UNIDENTIFIED SPEAKER: Good morning.

THE COURT: I think it's a little chilly so we'll --
maybe we'll close the windows. Welcome back. Hope you had a
good week. Did you lose Mr. Tambe?

MS. SAWYER: He had a flight delay but he'll be here
shortly. Of course, he said to go ahead and proceed in his
absence.

THE COURT: I think we're going to have to.

MS. SAWYER: Of course.

THE COURT: We'll try our best to labor on without
him.

MS. SAWYER: He thinks he'll be here shortly.

THE COURT: Okay. All right. Are there any -- we
left off after Mr. Neumann's direct testimony. Are there any
housekeeping matters that we need to address before we get
started?

MR. TRACEY: Not from here, Your Honor?

THE COURT: No? Okay. And are we --

MS. SAWYER: I don't believe so.

THE COURT: -- resuming with Mr. Neumann now?

MS. SAWYER: Yes.

THE COURT: Okay.

MS. SAWYER: Your Honor, I have examination binders.

1 THE COURT: Okay.

2 (Pause)

3 THE COURT: Hello, Mr. Neumann. Welcome back. You
4 remember under oath, sir.

5 THE WITNESS: Yes.

6 (Pause)

7 MS. SAWYER: Do you have a water, Mr. Neumann, or --

8 THE WITNESS: Oh, I would like one, please. Thank
9 you. Thank you.

10 THE COURT: Ready when you are, Ms. Sawyer.

11 CROSS-EXAMINATION

12 BY MS. SAWYER:

13 Q Good morning, Mr. Neumann. How are you?

14 A Good morning.

15 Q When we were here last, I believe that you testified that
16 your relationship with QVT began in 2000 or 2001, is that
17 correct?

18 A Yes.

19 Q And you were first introduced to Dan Gold about that time?

20 A Yes.

21 Q And then when you met Arthur Chu and he joined -- I'm
22 sorry -- when Arthur Chu joined QVT, your relationship with QVT
23 got stronger, is that correct?

24 A Yes.

25 Q You started doing more business with QVT after Mr. Chu

1 joined QVT?

2 A Yes.

3 Q And since Mr. Chu joined QVT, he's been your primary with
4 QVT, correct?

5 A Yes.

6 Q And he was your primary contact in 2008?

7 A Yes.

8 Q And he remains your primary contact through today, right?

9 A Yes.

10 Q And Mr. Chu used to work at Lehman Brothers, I think you
11 said, is that right?

12 A Yes.

13 Q And you believe that Mr. Chu was the head of ABS while he
14 was at Lehman Brothers?

15 A ABS Research, I believe.

16 Q So just to make sure we're clear, you believe that Mr. Chu
17 was the head of ABS Research while he was at Lehman Brothers,
18 correct?

19 A Yes.

20 Q And while you were at Lehman, you considered QVT to be a
21 valuable client, didn't you?

22 A I did.

23 Q I believe you testified on direct that you were QVT's
24 primary salesperson at Lehman, is that right?

25 A Yes.

1 Q And while you were a salesperson at Lehman, QVT was one of
2 your more significant clients, is that fair?

3 A Yes.

4 Q And you had about 10 to 15 clients that you had primarily
5 responsibility for while you were at Lehman, is that right?

6 A Yes.

7 Q And at some point while you were at Lehman, QVT was among
8 your top five clients, right?

9 A Yes.

10 Q Certainly in the upper half of your clients, right?

11 A Yes.

12 Q And your compensation at Lehman during the time that you
13 covered QVT was in part based upon sales revenue that you
14 earned as a result of trading with QVT, correct?

15 A Yes.

16 Q And QVT's still one of your clients today at Barclays,
17 right?

18 A Yes.

19 Q And just like at Lehman, your compensation at Barclays is
20 tied to the profit Barclays earns on the trades that your
21 clients like QVT do, correct?

22 A Yes.

23 Q And since you've been at Barclays, you've done some
24 significant trading with QVT, correct?

25 A I've done some significant trades with QVT, yes.

1 Q If you could look at Claimant's Exhibit 1040 which is in
2 your binder. It should be, I think, the second tab of your
3 binder. Are you there?

4 A Yes.

5 Q Do you recall that Mr. Regan showed you this document,
6 Claimant's Exhibit 1040, when you were here last time? Do you
7 recall that?

8 A I do.

9 Q And looking at the cover page of the presentation of
10 Claimant's Exhibit 1040, do you see it's a presentation
11 entitled "Preferred CDS/PCDS", right?

12 A Yes.

13 Q And the cover page also has the name "Tom Corcoran" on it.
14 Do you see that?

15 A Yes.

16 Q And Tom Corcoran was the head of the desk that traded PCDS
17 at Lehman, right?

18 A Yes.

19 Q And you weren't involved in the drafting of this
20 presentation, Claimant's Exhibit 1040, were you?

21 A I was not.

22 Q And I believe you testified on direct that, if you look at
23 the top part of the cover page, Claimant's Exhibit 1040, it
24 says the presentation was prepared by Hybrid Capital, right?

25 A Yes.

1 Q And Hybrid Capital refers to the preferred trading desk,
2 right?

3 A Yes. The Hybrid Capital was a combination of both
4 preferreds and other types of securities that had debt and
5 equity-like features.

6 Q And the Hybrid Capital desk is the desk that traded PCDS
7 at Lehman, right?

8 A Yes.

9 Q Now you weren't ever a member of the Hybrid Capital
10 trading desk, were you?

11 A I was not.

12 Q If you go towards the middle of the presentation to page
13 number Lehman-QVT 188.

14 (Pause)

15 Q Are you there?

16 A Yes.

17 Q And you see that this is a page that has contact
18 information and a list of individuals to be contacted for
19 additional information. Do you see that?

20 A Yes.

21 Q And the first section lists individuals for "Hybrid
22 Capital Trading", right?

23 A Yes.

24 Q And it also lists individuals from "Levered Credit
25 Strategy", right?

1 A Yes.

2 Q And your name isn't listed as one of the contact people
3 for purposes of this presentation, is it?

4 A It is not.

5 Q And the people listed on the contact information page are
6 the people that were involved in the development of PCDS at
7 Lehman, right?

8 A Yes.

9 Q And the idea for PCDS at Lehman originated with Tom
10 Corcoran and the traders on the Hybrid Capital trading desk,
11 right?

12 A Yes.

13 Q And you weren't, as we discussed before, one of those
14 traders, right?

15 A I was not one of those traders.

16 Q And, in fact, you don't recall being listed as the contact
17 person for any Lehman PCDS presentation or marketing materials,
18 do you?

19 A No.

20 Q And that's because you weren't involved in the development
21 of PCDS at Lehman, right?

22 A I was not involved in terms of preparing materials, no, I
23 wasn't.

24 Q And you weren't on the desk that came up with the idea for
25 the PCDS.

1 A I was not on the desk that came up with the idea, no.

2 Q The entire time you were at Lehman you were a salesperson
3 in credit sales, right?

4 A Yes.

5 Q You never worked on any trading desk at Lehman, did you?

6 A I did not.

7 Q I believe you testified when you were here last time that
8 PCDS was a small percentage of the CDS that you sold in 2005 to
9 2008, is that correct?

10 A Yes.

11 Q I think you testified that it was five percent -- PCDS was
12 five percent or less of the CDS that you sold during that time
13 period, correct?

14 A I estimated that, yes.

15 Q And as the salesperson and not a PCDS trader, you were
16 focused on the trades that your clients did, right?

17 A Yes.

18 Q And your view of the PCDS market was limited to your
19 clients and the trades that they did, right?

20 A I might not characterize it that way. I think that we, as
21 a business, would discuss -- like, trading and sales would
22 discuss things beyond necessarily just things with my clients
23 because there was market color, for example, would be something
24 that the trading desk and the sales desk would discuss
25 together.

1 Q But you -- as a salesperson, you wouldn't have the same
2 level of knowledge about the PCDS market as a trader of PCDS
3 would have, correct?

4 A That's a tough question to answer. I was known at the time
5 as like a very -- what they call a technical person, so very
6 knowledgeable about products. So I think that from an aspect
7 of knowledge, I think I -- I think my colleagues would probably
8 say that I -- I wouldn't have more knowledge than them,
9 certainly not. But perhaps not much less.

10 Q In terms of a broad based understanding of, say, who the
11 PCDS counterparties are that traded with Lehman, the traders on
12 the PCDS desk would know more about that than you --

13 A Yes.

14 Q -- correct?

15 A Yes.

16 Q And so, you wouldn't have known, for example, how many
17 PCDS counterparties Lehman had in total, would you?

18 A No.

19 Q And you wouldn't have known, say, for example, the total
20 amount of notional -- the PCDS trades that Lehman did, would
21 you?

22 A No.

23 Q The traders that trade at PCDS would have a better insight
24 into things like the size of the PCDS market than you would --

25 A Yes.

1 Q -- correct? And I believe when we were here last, you
2 testified that you had four or five clients that traded PCDS
3 while you were at Lehman, is that correct?

4 A Yes.

5 Q And that's -- your clients that traded PCDS were QVT, I
6 think you said the Deutsche Bank ARB desk to ConaCapital (ph)
7 and Toronto-Dominion, correct?

8 A Yes.

9 Q The Hartford was not one of your clients at Lehman, was
10 it?

11 A No.

12 Q So you would not know about the PCDS trades that Hartford
13 did with Lehman, would you?

14 A No.

15 Q And you wouldn't know whether the Hartford were also
16 buyers of PCDS protection from Lehman like QVT was, would you?

17 A No.

18 Q And you wouldn't know the amount of PCDS protection that
19 Hartford had bought from Lehman, would you?

20 A No.

21 Q I'd like you to look at Claimant's Exhibit 1163. Are you
22 there?

23 A Yes.

24 Q And this is the July 2nd, 2008 e-mail from Andrew Layng,
25 do you see that?

1 A Yes.

2 Q And Mr. Layng was one of the PCDS traders at Lehman?

3 A Yes.

4 Q And Mr. Layng is sending this e-mail to a number of other
5 PCDS traders at Lehman. Do you see that?

6 A Yes.

7 Q Mr. Bugliari, correct?

8 A Yes.

9 Q And Mr. Crowley is a PCDS trader at Lehman or was a PCDS
10 trader at Lehman, correct?

11 A Yes.

12 Q And Ms. Philbin was a PCDS trader at Lehman, correct?

13 A Yes.

14 Q And Mr. Layng reports on the first sentence of the e-mail,
15 "We sold Arthur Chu at QVT 48 mm in PCDS today and can
16 potentially trade more next week." Do you see that?

17 A Yes.

18 Q And you would have been aware of these trades with QVT
19 since you were primarily responsible for QVT, correct?

20 A Yes.

21 Q So as of the date of this e-mail, July 2008, QVT was still
22 able to trade PCDS with Lehman, correct?

23 A Yes.

24 Q And if you could go down to the next to the last paragraph
25 of this e-mail, the one that says "So we traded" -- do you see

1 where I'm at?

2 A Yes.

3 Q It says, "So we traded DB PCDS at a 7 BP spread versus
4 sub-CDS." And then there's "senior versus sub is 7 BP -- basis
5 points -- Santan PCDS at 60 basis point spread versus senior
6 versus sub is 60 basis points. And H-BOS PCDS at 100 basis
7 point spread versus sub, senior versus sub is 100 basis
8 points." Do you see that?

9 A Yes.

10 Q So Mr. Layng's reporting on other PCDS trades that were
11 done on July 2nd, 2008 to the other traders on the PCDS desk,
12 right?

13 A I don't know if he's referring for certain to July 2nd or
14 1st or whatever, but yes, he's reporting on the trades, yes.

15 Q Now you weren't copied on this e-mail, were you?

16 A It doesn't look like it, no.

17 Q And presumably the traders of PCDS would communicate with
18 each other about PCDS trades that they've done and would not
19 necessarily copy you on those updates, would they?

20 A Not necessarily, no.

21 Q Just like you weren't copied on Claimant's Exhibit 1163,
22 right?

23 A Right.

24 Q On direct, I believe you testified regard synthetic CDOs.
25 Do you recall that?

1 A Yes.

2 Q And I think you testified that you were actively involved
3 in the synthetic CDO market with investors while you were at
4 Lehman, is that right?

5 A Yes.

6 Q And you testified about how synthetic CDOs were
7 structured.

8 A Uh-huh, yes.

9 Q And you also testified about how the CDO desk and the
10 trading desk determined how they would use PCDS and the
11 synthetic CDO, right?

12 A Yes.

13 Q But as we've talked about, you never worked on the PCDS
14 trading desk, right?

15 A I did not.

16 Q And you also never worked on the synthetic CDO desk at
17 Lehman, did you?

18 A No.

19 Q And you never structured a synthetic CDO at Lehman, did
20 you?

21 A No.

22 Q And you don't know how many of the CDOs issued by Lehman
23 had PCDS in them, do you?

24 A I do not.

25 Q And you don't even know what percentage of the CDOs issued

1 by Lehman contained PCDS, do you?

2 A I don't.

3 Q And you didn't do any trades of PCDS with the synthetic
4 CDO desk at Lehman, did you?

5 A Could you ask that again?

6 Q You didn't do any trades of PCDS with the synthetic CDO
7 desk at Lehman, did you?

8 A Not directly, no.

9 Q And you weren't involved in any purchases of PCDS
10 protection from the synthetic CDO desk at Lehman, were you?

11 A Not directly, no.

12 Q And you don't know what percentage of the PCDS protection
13 that Lehman purchased came from CDOs, do you?

14 A No.

15 Q You testified on direct that your clients would sometimes
16 come to you for prices or levels on their CDS positions. Do
17 you recall that?

18 A Yes.

19 Q And when those customers came to you for prices or level,
20 you'd ask the trading desk for those prices and levels, right?

21 A Yes.

22 Q And so, if you had a client that was interested in PCDS,
23 you'd go to the trader who was making markets in PCDS and ask
24 him or her for a price, right?

25 A Yes.

1 Q And the decision on the price to show the client came from
2 the trading desk, right?

3 A The decision on the price in terms of the initial contact
4 -- I believe the way I describe it is, you'd go -- I would go -
5 - remember going to the trading desk and asking for a price.
6 And in the event of, at the time, even CDS but also PCDS, if
7 there was some reason to believe that something looked wrong,
8 we didn't have a formal what we now refer to as client
9 valuation group. We didn't have a formal setup the way we do
10 now at the time. And so it was a little more of a -- of an
11 exercise that needed -- I felt at the time needed help
12 sometimes to make sure we weren't sending clients information
13 that was incorrect.

14 Q Now you're not sure when the client valuation group
15 developed at Lehman, correct?

16 A Well, there was a client valuation group I recall that
17 existed already. But in terms of the -- having it be a process
18 that was something that sales and trading actually -- sale
19 people eventually became completely removed from the process of
20 marking clients' positions. At the time, there was -- that
21 effort to move to that was underway but it had not been
22 completed. So there was still some, I'll call it, gray area of
23 how things were marked.

24 Q But you never generated the pricing information for a PCDS
25 trade initially yourself, did you?

1 A No.

2 Q That would have come from the trading desk, correct?

3 A Yes.

4 Q And you would relay the price provided to you by the
5 trading desk to your customers or your clients, right?

6 A If I felt it was information that was at least -- at least
7 that I could explain it well to the client, I would.

8 Otherwise, as I described last time, I would go back to the
9 trading desk and point out where I felt maybe there were some
10 issues.

11 Q If you passed along a price or a value to a client, you
12 believed it was a good price or value, correct?

13 A It was the best available information I had, yes.

14 Q And if a client needed a mark on a position, you'd also go
15 to the trading desk to get that mark, correct?

16 A Yes.

17 Q And when QVT asked you to provide month-end levels for
18 their PCDS positions, you'd ask the trading desk for those
19 levels, right?

20 A Yes.

21 Q So I'd like you to look at Defendant's Exhibit 5094.

22 (Pause)

23 Q Are you there?

24 A Yes.

25 Q And I believe you looked at this document when you were

1 here last time with Mr. Regan. Do you recall that?

2 A Yes.

3 Q And this is a Bloomberg exchange between you and Ms.

4 Philbin on August 28th, 2008, correct?

5 A Yes.

6 Q And Defendant's Exhibit 5094 shows the month-end prices

7 provided for QVT from Ms. Philbin, right?

8 A Yes.

9 Q Ms. Philbin was one of the PCDS traders, right?

10 A Yes.

11 Q And you believe that the first line of the Bloomberg

12 message, the one that says, "Mike, please provide quotes (bid

13 offer) on the following PCDS", you believe that actually is

14 information that was sent to you by Mr. Chu, right?

15 A I do.

16 Q And then you copied that information and then sent that to

17 Ms. Philbin in a Bloomberg message, right?

18 A Yes.

19 Q And you also think that the July 31st quote in this

20 Defendant's Exhibit 5094 were information provided by Mr. Chu

21 that you also copied and sent on to Ms. Philbin, right?

22 A I'm not certain about -- I believe either I went back and

23 found the previous month Bloomberg that we had used and copied

24 and pasted it or Mr. Chu sent it to me. But one of those two.

25 Q So you gave Ms. Philbin the July 31st quotes for each of

1 these names when you asked her to provide the August
2 month-end --

3 A Yes.

4 Q -- levels, correct?

5 A Yes.

6 Q And regardless of whether it came from Mr. Chu or your own
7 file, it would have been information that you communicated to
8 QVT in July of 2008, correct?

9 A Yes.

10 Q And just to make sure 'cause I think the columns are a
11 little bit misaligned, if we looked at the first line, it says
12 AAB, 920.12. And then it says 225/245. That's the July 31st
13 quote for that name, correct?

14 A Yes.

15 Q And then the next column over, it says 255/265. That's
16 the August quote for that name, correct?

17 A Yes.

18 Q And then Ms. Philbin filled in the August names and gave
19 them back to you, right?

20 A Yes.

21 Q And then you passed them along to QBT, right?

22 A Yes. Again, I recall there being times, and I don't know
23 if this was one of them, where there may have been an interim
24 step of me going back and forth with her on the prices, but,
25 yes, ultimately I did send them back to QVT, yes.

1 Q Ultimately, you did send August month-end --

2 A Yes.

3 Q -- levels to QVT, correct?

4 A Yes.

5 Q And you testified, I believe, on direct that in the summer
6 of 2008, it was a difficult process to obtain month-end marks
7 for PCDS for QVT, correct?

8 A Yes.

9 Q But you also said it wasn't impossible to get month-end
10 marks for QVT in the summer of 2008, right?

11 A Not impossible, right.

12 Q Right. As reflected in Defendant's Exhibit 5094, you
13 obtained July and August month-end marks for QVT, right?

14 A Yes.

15 Q So I want to look specifically at the spread levels that
16 Ms. Philbin gave you in Defendant's Exhibit 5094 for the end of
17 August on these PCDS names. If you look at the July spreads
18 versus the August spreads, they tightened in nearly every
19 circumstance, is that correct?

20 A So from July to August?

21 Q Right. If you look at, say, for example, the AAB line we
22 are looking at, the spread in July was 20 and the spread in
23 August was 10, right?

24 A Are we still on the same exhibit? I mean, if I'm looking
25 at AAB --

1 Q Right.

2 A -- and July 31st, the mark was 225/245, right?

3 Q Right.

4 A And then August, 255/265.

5 Q Yes.

6 A So that would have widened by 30 basis points over the
7 course of -- from July to August.

8 Q But the spread between the 225 and the 245 is 20, right?

9 A Oh. You mean the bid/ask?

10 Q Yes.

11 A Okay. Yeah. Right.

12 Q So the bid/ask in each of these circumstances almost
13 across the board got tighter, correct?

14 A According to this Bloomberg. My recollection is the
15 purpose -- like the attempt here is not -- the important part
16 of this exercise is not to establish what the bid offer is. It
17 is really to establish best available, in a sense, mid-market.
18 So we could have just written one number on the page. But this
19 was an attempt to show something. But if your question is
20 whether I -- the bid offer improved from July to August in
21 anything we were trading, my recollection is the opposite.

22 Q But Mr. Chu had asked for the quotes in this way. He'd
23 ask for the quotes --

24 A Yes.

25 Q -- (bid/offer), right?

1 A Yes.

2 Q And on almost every one of these names, that bid/offer
3 spread got smaller from July to August, correct?

4 A Yes.

5 Q And also, looking at these spread levels, these don't
6 indicate that these names on Defendant's Exhibit 5094 are
7 distressed, do they?

8 A No.

9 Q And the name that would be in distress would be something
10 trading with points up front, right?

11 A Yes.

12 Q And none of these are listed with points up front, are
13 they?

14 A No.

15 THE REPORTER: (Indiscernible).

16 Q Did she tell us to slow down, both of us?

17 A She told me to wait till you finish.

18 Q Okay. As a salesman, your clients would reach out to you
19 if they had a dispute with Lehman over marks use for margin
20 purposes, wouldn't they?

21 A Yeah, sometimes.

22 Q And you knew that Lehman used its own internal marks for
23 purposes of calculating margin, right?

24 A Yes.

25 Q And if QVT had an issue with marks being used for margin

1 purposes, they would have raised that with you, wouldn't they?

2 A I think they probably would have, yes.

3 Q And if such an issue was raised, you would have been
4 involved in discussions about resolving that issue, right?

5 A Yes.

6 Q But you don't remember QVT ever contacting you to tell you
7 that they thought Lehman had a wrong mark for margin purposes,
8 do you?

9 A I don't.

10 Q And you don't QVT ever contacting you to say that they
11 were not posting margin because Lehman had erroneous marks, do
12 you?

13 A I don't.

14 Q I'd like you to look at Defendant's Exhibit 5101. The
15 bottom e-mail -- are you there, sir?

16 A Yes.

17 Q Okay. The bottom e-mail in this chain is an e-mail from
18 Ms. Kelly Fang (ph) at QVT to Mr. Julian Sale at QVT on
19 Tuesday, September 9th, 2008. Do you see that?

20 A Yes.

21 Q And in the first sentence of the e-mail, Ms. Fang writes,
22 "LBSF calls QVT for 12 MM margin due to overall MTM drop in the
23 portfolio." Do you see that?

24 A Yes.

25 Q And so based off --

1 MR. REGAN: Objection, Your Honor.

2 THE COURT: Yes.

3 MR. REGAN: Foundation. Mr. Neumann is not anywhere
4 on this e-mail and I don't know that he has anything to do with
5 the issues discussed herein.

6 THE COURT: Okay. Fair enough.

7 MS. SAWYER: I don't think my questions go to Mr.
8 Neumann's knowledge of the e-mail. I'm not going to be using
9 him to try to get the e-mail into evidence. I just have some
10 questions about his understanding of margin which he already
11 testified that he did understand how margin was calculated at
12 Lehman.

13 THE COURT: Okay. All right. Go ahead.

14 BY MS. SAWYER:

15 Q I'm not sure if you answered my question so I'm just going
16 to ask it again. So you see in the first line of the e-mail
17 from Ms. Fang, she says, "LBSF calls QVT for 12 MM margin due
18 to overall MTM drop in the portfolio." Do you see that?

19 A I do.

20 Q And margin call from Lehman to QVT would be based upon
21 Lehman's own marks on the portfolio, right?

22 A Yes.

23 Q And this margin call that Lehman's making at QVT is being
24 made on Tuesday, September 9th, 2008. Do you see that?

25 A I have the e-mail that says that but I don't know what

1 date the margin call was from.

2 Q So this margin call from Lehman would take into account
3 market movements from Friday, September 5th, 2008 to Monday,
4 September 8th, 2008, right?

5 A That -- that I can't tell from the e-mail. I'm sorry.

6 Q And you're not that familiar with Lehman's margin process
7 to be able to say that?

8 A Well, the e-mail says it's Tuesday, September 9th. I
9 don't know what date the margin call was made. So I can't
10 comment -- I can't describe like when -- if it was -- they made
11 it on Monday or they made it on Friday. Like I don't -- I
12 don't -- I just don't know from looking at this.

13 Q Okay. I'd like now to talk to you about your discussions
14 with QVT shortly before Lehman filed for bankruptcy.

15 You spoke to Mr. Chu the weekend before Lehman filed for
16 bankruptcy, right?

17 A Yes, I did.

18 Q You spoke to Mr. Chu several times that weekend, right?

19 A I believe so, yes.

20 Q And you and Mr. Chu discussed whether or not Lehman would
21 file for bankruptcy, right?

22 A Yes.

23 Q And during those discussions, Mr. Chu expressed concerns
24 about a potential Lehman bankruptcy, didn't he?

25 A Yes.

1 Q Because QVT had a lot of Lehman exposure, right?

2 A Yes.

3 Q And you recall discussing with Mr. Chu the weekend before
4 Lehman filed for bankruptcy how to determine the value of the
5 PCDS trades that Lehman had -- I'm sorry -- that QVT had with
6 Lehman, right?

7 A Yes.

8 Q And you recall talking with Mr. Chu the weekend before
9 Lehman filed for bankruptcy about the size of the PCDS market,
10 is that correct?

11 A Yes.

12 Q And you recall that Mr. Chu asked you to get information
13 about the size of the PCDS market for him, right?

14 A Yes.

15 Q Mr. Chu asked you to find out what other dealers traded
16 PCDS, didn't he?

17 A Yes.

18 Q And Mr. Chu wanted to know who else had PCDS trades,
19 right?

20 A Yes.

21 Q I'd like you to look at Joint Exhibit 50. It should be
22 the first document in your binder.

23 (Pause)

24 Q Are you there, sir?

25 A Yes.

1 Q This is an e-mail exchange between yourself and Mr. Dan
2 Crowley at Lehman. Do you see that?

3 A Yes.

4 Q And Mr. Crowley was a trader on the desk that traded PCDS
5 at Lehman, right?

6 A Yes.

7 Q And this Joint Exhibit 50 is an e-mail from the day before
8 Lehman filed for bankruptcy, September 14th, 2008, right?

9 A Yes.

10 Q And you sent the e-mail to Mr. Crowley, at the bottom,
11 with the subject line, "Another PCDS Question". Do you see
12 that?

13 A Yes.

14 Q And in the bottom e-mail in the chain, you ask Mr.
15 Crowley, "Every dealer might" -- well, you said, "Every dealer
16 might just have a sampler but can you say which dealers
17 actually traded this stuff besides us, i.e., which dealers
18 likely have the most PCDS notional either with us or just in
19 general. P.S. Thanks." Do you see that?

20 A Yes.

21 Q And you asked Mr. Crowley this question because Mr. Chu
22 had asked you to find out which other dealers traded PCDS,
23 correct?

24 A Yes.

25 Q And Mr. Chu wanted to get information about the other

1 dealers in the PCDS market because QVT was trying to understand
2 the value of the PCDS they had, right?

3 A I assume, yes.

4 Q And if QVT knew the other dealers that traded PCDS, and if
5 Lehman went bankrupt, then QVT would know where to go to try to
6 replace their PCDS, right?

7 A I -- as I -- I would assume that, yes, that would be
8 helpful for them, yes.

9 Q They'd have an idea of who to turn to if they wanted to
10 replace their PCDS, right?

11 A Yes.

12 Q And going back to Joint Exhibit 50, Mr. Crowley responds
13 to your question, "JPM, MER, GS, DB, I think, were active." Do
14 you see that?

15 A Yes.

16 Q Meaning, just to translate, JPM, Merrill, Goldman Sachs
17 and Deutsche Bank, right?

18 A Yes.

19 Q And Mr. Crowley's response was consistent with your
20 understanding that there were other dealers that traded PCDS
21 besides Lehman, right?

22 A My recollection is JPMorgan. For certain, the other ones
23 that I wasn't aware of were active. Obviously, I see this
24 e-mail here, but my recollection from the time that JPMorgan
25 had made a real effort, I remember, like, hearing about that.

1 And then as I mentioned -- spoke about last time, I also
2 remember us -- Lehman Brothers and the group that was -- the
3 trading group and the structuring group that was -- the
4 strategy group that was mentioned before were actively seeking
5 and hoping to get other dealers involved in the product.

6 Q And Mr. Crowley is telling you on the day before Lehman
7 filed for bankruptcy -- he's identifying some of those other
8 dealers involved in the PCDS market, right?

9 A Yes. He is saying he thinks they were active, yes.

10 Q And you told Mr. Chu about these other dealers that traded
11 PCDS, didn't you?

12 A I'm sure I did.

13 Q And you told Mr. Chu that JPMorgan traded PCDS, right?

14 A Yes.

15 Q And you told Mr. Chu that Merrill traded PCDS, right?

16 A Yes.

17 Q You told Mr. Chu that Goldman traded PCDS, right?

18 A Yes.

19 Q And you told Mr. Chu that Deutsche Bank traded PCDS,
20 right?

21 A I'm sure I relayed what Dan wrote to me here, yes.

22 Q Because Mr. Chu had asked you for the information, right?

23 A Yes.

24 Q After Lehman filed for bankruptcy, you continued to stay
25 in touch with Mr. Chu, right?

1 A Yes.

2 Q You considered QVT to still be a valuable client even
3 after Lehman filed for bankruptcy, right?

4 A Yes.

5 Q And you believe that your client, QVT, had been
6 significantly damaged by the Lehman bankruptcy, right?

7 A Yes.

8 Q So you wanted to be able to help QVT as best as you could,
9 right?

10 A Yes.

11 Q And in the month following Lehman's bankruptcy, you spoke
12 to Mr. Chu several times a week, right?

13 A I believe so, yes.

14 Q And Mr. Chu asked you what other counterparties had traded
15 PCDS, right?

16 A Yes.

17 Q And you assume Mr. Chu is asking you that question in
18 connection with QVT's claim against Lehman, right?

19 A Yes.

20 Q And Mr. Chu also wanted to know the total size of the
21 outstanding notional that Lehman had in PCDS, right?

22 A Yes.

23 Q And Mr. Chu wanted to know what you personally thought
24 about the valuation of the PCDS trade that QVT had with Lehman,
25 right?

1 A Yes.

2 Q In addition to Arthur Chu, you also spoke to Dan Gold in
3 the month following Lehman's bankruptcy, didn't you?

4 A Yes.

5 Q You recall specifically a phone conversation with Mr. Gold
6 and Mr. Chu in the month following Lehman's bankruptcy about
7 PCDS, right?

8 A Yes.

9 Q You also recall that you went over to QVT for lunch in the
10 month following Lehman's bankruptcy, right?

11 A Yes.

12 (Pause)

13 Q And you met with Mr. Chu for that lunch, right?

14 A Yes.

15 Q And there were others that also went to that lunch you had
16 at QVT, right?

17 A Yes.

18 Q Including Mr. Gold?

19 A I don't remember for certain Dan was there but I think so,
20 yes.

21 Q And Mr. Brumm was there?

22 A I believe so, yes.

23 Q Mr. Cen was there?

24 A Yes.

25 Q Maybe Joel?

1 A Maybe Joel, yes.

2 Q Maybe Joel Wollman.

3 A Joel Wollman, yes.

4 Q And the conversations you had with Mr. Gold about PCDS
5 were similar to the ones that you had with Mr. Chu about PCDS
6 after Lehman's bankruptcy, right?

7 A Yes.

8 Q You remember discussing with Mr. Gold the valuation of the
9 PCDS contract that QVT had with Lehman, right?

10 A Yes.

11 Q And you discussed the size of the PCDS market with Mr.
12 Gold after bankruptcy, right?

13 A Yes. I believe so, yes.

14 Q And you discussed with Mr. Gold the number of PCDS
15 counterparties that Lehman had after bankruptcy, right?

16 A Well, as I've discussed, I didn't know the number of
17 counterparties we had. I was trying to be helpful. There was
18 only so much information I had access to. So based on the
19 information that I had, which was incomplete information, I
20 helped out as best I could.

21 Q And you actually reached out to other former Lehman
22 employees to try to get information about the size of the PCDS
23 market for QVT, didn't you?

24 A Yes.

25 Q And you did this after bankruptcy, right?

1 A Yes.

2 Q And you did that to assist QVT, right?

3 A Yes.

4 Q And you passed along the information you got from your
5 colleagues about the size of the PCDS market to QVT, correct?

6 A Yes.

7 Q To Mr. Gold and Mr. Chu, right?

8 A Yes.

9 Q And in these discussions you have with Mr. Gold and Mr.
10 Chu following bankruptcy, you suggested that QVT should check
11 with the other dealers that traded PCDS because they might have
12 PCDS positions that they've marked, right?

13 A Yes.

14 Q It would have been a way to determine a value to put on
15 the PCDS trades, right?

16 A Yes. I think that's reasonable, yes.

17 Q And you had already given QVT the names of the other
18 dealers that you knew about that traded PCDS, right?

19 A Yes.

20 Q But you don't know whether QVT actually tried to contact
21 any of these other dealers regarding PCDS in the time following
22 Lehman's bankruptcy, do you?

23 A I don't.

24 Q You don't recall QVT ever telling you that they had
25 contacted any of the dealers you had identified for them

1 regarding PCDS in the month following Lehman's bankruptcy, do
2 you?

3 A I don't.

4 Q And you continued to talk to Mr. Chu about PCDS in the
5 months and even years following Lehman's bankruptcy, right?

6 A Yes.

7 Q Whenever Mr. Chu asked you a question about PCDS, you
8 always tried to help in any way that you could, didn't you?

9 A Yes.

10 Q And at some point following Lehman's bankruptcy, you tried
11 to connect Mr. Chu with other PCDS counterparties -- other
12 Lehman PCDS counterparties, correct?

13 A Yes.

14 Q Including AIG, right?

15 A I recall trying to connect him with AIG. That's right,
16 yes.

17 Q But you don't know whether QVT and AIG ever connected, do
18 you?

19 A No. The way -- what I remember is that we approached both
20 sides without divulging the names of either counterparty to ask
21 if they wanted to -- if they wanted to do a call in which case
22 we would have then had the two -- you know, two parties meet
23 and sent them the contact information. What I don't remember
24 is if that conversation ever happened. Or, if it did happen, I
25 wasn't privy to it.

1 MS. SAWYER: Your Honor, may I just have a moment?

2 THE COURT: Yes.

3 (Pause)

4 MS. SAWYER: Thank you, Mr. Neumann. I have no
5 further questions.

6 THE COURT: All right. Thank you.

7 MR. REGAN: Your Honor --

8 THE COURT: Mr. Regan?

9 MR. REGAN: -- would it be possible to take a short
10 break before the redirect?

11 THE COURT: Of course. Sure. How much time would
12 you like?

13 MR. REGAN: Ten minutes.

14 THE COURT: Okay. We'll come back at 10:20. Thank
15 you.

16 (Recess from 10:10 a.m. until 10:25 a.m.)

17 THE COURT: Just have to take a moment to connect the
18 telephone line.

19 (Pause)

20 (CourtCall recording)

21 THE COURT: Ready when you are, Mr. Regan.

22 (Pause)

23 REDIRECT EXAMINATION

24 BY MR. REGAN:

25 Q Mr. Neumann, can you turn to Exhibit JX50 in the binder --

1 in the black binder? On cross-examination, Ms. Sawyer asked
2 you a few questions about this document. Do you recall that?

3 A Yes.

4 Q And in the bottom e-mail on JX50, you ask Mr. Crowley
5 questions about the PCDS market, correct?

6 A Yes.

7 Q And the question that you asked him was which other
8 dealers actually trade PCDS besides Lehman, correct?

9 A Yes.

10 Q And according to the top e-mail, Mr. Crowley responded to
11 you, "JPM, Merrill, Goldman Sachs and Deutsche Bank"?

12 MS. SAWYER: Objection, Your Honor.

13 Q Is that --

14 THE COURT: Yes.

15 MS. SAWYER: I'm just going to object to the leading
16 nature of the question.

17 THE COURT: All right. I think we're just confirming
18 prior ground. Go ahead.

19 BY MR. REGAN:

20 Q Do you recall discussing that top e-mail with Ms. Sawyer?

21 A Yes.

22 Q And Mr. Crowley indicated to you that he thought those
23 other dealers were active in the PCDS market, is that correct?

24 A Yes.

25 Q Do you have any personal recollection of Merrill being

1 active in the PCDS market?

2 A No.

3 Q Do you have any personal recollection of Goldman Sachs or
4 Deutsche Bank being active in the PCDS market?

5 A No.

6 Q Do you know if Merrill, Goldman Sachs or Deutsche Bank
7 were market makers in PCDS?

8 A I don't know that they -- they were or were not. I don't
9 believe that they were but I don't know.

10 Q Mr. Crowley's e-mail indicates that the four dealers
11 listed there were active at some point in time. Do you know
12 whether they were active in September of 2008?

13 A I don't know.

14 Q If you would turn to Exhibit CX1163. Do you recall that
15 Ms. Sawyer asked you a series of questions about this e-mail?

16 A Yes.

17 Q And you were not copied on this e-mail.

18 A No.

19 Q If you could look down to the last paragraph, the first
20 sentence. It says, "We only sold dates where we were already
21 short to truly reduce risk." Having sold PCDS to your client,
22 do you have any understanding as to what information Mr. Layng
23 is conveying in that sentence?

24 A Yes.

25 MS. SAWYER: Objection. Calls for speculation.

1 THE COURT: Sustained.

2 BY MR. REGAN:

3 Q Is there anything that you can tell from the face of
4 Exhibit 1163 as to whether the trades discussed here were new
5 risks for Lehman?

6 MS. SAWYER: Objection. Same objection.

7 THE COURT: Sustained.

8 BY MR. REGAN:

9 Q Do you have any knowledge, personal knowledge, as to
10 whether in July of 2008 Lehman was selling new risk PCDS to
11 QVT?

12 A I don't believe we were, no.

13 Q Do you have any knowledge as to whether in July of 2008
14 any PCDS transactions with QVT from Lehman were on switch?

15 A As -- as we discussed the last time I was here, it looked
16 from those e-mails and my recollection is that we did not want
17 to sell protection to QVT outright. We wanted either to do it
18 on switch or in some way beneficial to our risk as opposed to
19 being a market maker.

20 Q On cross-examination, Ms. Sawyer asked you questions about
21 the origination of the PCDS idea within Lehman. Do you recall
22 that testimony?

23 A Yes.

24 Q And I believe you testified that you did not originate the
25 idea for PCDS, is that correct?

1 A Yes.

2 Q What role, if any, did you play in the development of the
3 PCDS product?

4 A I was consulted on numerous occasions about PCDS and what
5 I thought the client interest would be in such a product.

6 Q And what role, if any, did you play in the marketing of
7 PCDS?

8 A I went and called every -- pretty much every client I
9 covered. My recollection is every -- almost every client I
10 covered and started to talk about the idea of the product and
11 ask what they thought of it. And with the idea that I was
12 trying to generate their interest in the product which is a, I
13 would say, a form of marketing.

14 Q And do you know which client of Lehman became interested
15 in PCDS?

16 MS. SAWYER: Objection.

17 THE COURT: I'll allow it. Go ahead. Go ahead.

18 THE WITNESS: My recollection is that a great number
19 of clients, probably almost every client I covered, expressed
20 some interest in the product. As to what they ultimately did
21 with that, obviously, the QVT has already discussed -- QVT and
22 DB ARB were the ones that really -- that really used it. But
23 other clients expressed interest in the product without
24 necessarily taking action.

25 Q Do you know which Lehman clients became the largest users

1 of PCDS?

2 MS. SAWYER: Objection. Calls for speculation?

3 THE COURT: Well, I have a different objection to the
4 word "users".

5 MR. REGAN: Market partic -- can I rephrase?

6 THE COURT: Yes.

7 BY MR. REGAN:

8 Q Do you know which market participants became Lehman's
9 largest PCDS customers?

10 MS. SAWYER: I'm still going to object to the extent
11 they're talking about Lehman in general.

12 THE COURT: Right. It only -- the question needs to
13 be limited to trades in which Mr. Neumann was involved or
14 specifically trades of which he was otherwise -- he's otherwise
15 specifically aware. All right?

16 MR. REGAN: Okay.

17 THE COURT: Go ahead.

18 MR. REGAN: Should I re-ask it or --

19 THE COURT: Please.

20 BY MR. REGAN:

21 Q With regard to trades that you specifically did or were
22 aware of, do you know which market participants were Lehman's
23 largest PCDS counterparties?

24 A I recall that QVT was considered to be a large PCDS
25 counterparty. And I recall Deutsche Bank ARB, the group I

1 described last time as being a hedge fund housed within the
2 walls of Deutsche Bank, as being somewhat active. Those are
3 the two that I recall best in terms of actually being
4 meaningful counterparties.

5 Q Ms. Sawyer asked you a series of questions about your
6 current relationship with QVT at Barclays. Do you recall that
7 testimony?

8 A Yes.

9 Q And I believe you testified that you still do business
10 with QVT in your current employment at Barclays, is that right?

11 A Yes.

12 Q Can you quantify the level of business that you do with
13 QVT in any way?

14 A They're not -- they're not a significant counterparty.
15 They're not in our -- for example, they're not in our top 200
16 counterparties as we measure by trading volumes.

17 Q If you would turn to Exhibit 5094 in your binder. Do you
18 recall Ms. Sawyer asked you a series of questions about this
19 exhibit?

20 A Yes.

21 Q And I believe you testified that this exhibit contains the
22 month-end quote that Lehman provided to QVT for the positions
23 listed here, is that right?

24 A Yes.

25 Q What, if anything, can you tell about the cost of

1 protection for the first position with an AAB change between
2 the July marks and the August marks?

3 A They widened.

4 Q And what do you mean by "widened"?

5 A The spread at the end of July was said to be 225/245 or
6 235 as a mid and then it went to 255/265 or 260 as a mid. So
7 you can look at the bid and the offer or the mid, you know, 25
8 basis points wider would be how I would characterize that.

9 Q When you say wider, does that mean the cost of protection
10 increased?

11 A Yes.

12 Q Is that true for all of the positions listed in Exhibit
13 5094?

14 A Yes.

15 Q Ms. Sawyer also asked you a series of questions about
16 conversations that you had with Mr. Chu on the weekend prior to
17 Lehman's bankruptcy. Do you recall that testimony?

18 A Yes.

19 Q And I believe Ms. Sawyer indicated that you discussed with
20 Mr. Chu the notional size of the PCDS market? Do you recall
21 that testimony?

22 A Yes.

23 Q And I believe Ms. Sawyer asked you about conversations you
24 had with Mr. Chu regarding other counterparties that were
25 involved in the PCDS market. Do you recall that testimony?

1 A Yes.

2 Q Do you recall what information you conveyed to Mr. Chu
3 about those issues in the weekend prior to Lehman's bankruptcy?

4 A I recall talking to Arthur Chu on the weekend in question
5 prior to the bankruptcy. I recall getting asked questions
6 about the size of the market and counterparties. I do not
7 recall and don't believe we had any conversations about
8 specific clients as I've testified before. I think both Arthur
9 and I were appropriately cautious about divulging names of
10 other clients which may or may not have been appropriate.
11 Like, we weren't aware of what was proper but we erred on the
12 side of caution.

13 So I don't remember discussing other counterparties. I do
14 remember trying to help him establish the number of dealers,
15 try to establish the amount of -- try to estimate, like, the
16 amount of notional that we had and those types of things. And
17 I recall, unfortunately, not being able to be particularly
18 helpful in terms of feeling confident that the information I
19 had was precise.

20 Q Ms. Sawyer also asked you a series of questions about
21 communications you had with Mr. Chu between the date of the
22 bankruptcy and October 15th. Do you recall that testimony?

23 A Yes.

24 Q And I believe Ms. Sawyer asked you about the same issues,
25 the notional size of the PCDS market and other counterparties.

1 Do you recall that testimony?

2 A Yes.

3 Q What, if anything, do you recall -- what information, if
4 any, do you recall conveying to Mr. Chu about those issues in
5 the period between the bankruptcy and October 15th?

6 A Similar -- similar themes to what we discussed that
7 weekend in that the size of the market that I had believed at
8 one point that the product was heading towards and the trading
9 desk was, in trying to build a momentum from a standpoint both
10 from a sales force and client standpoint, the momentum around
11 the product. My recollection is, in that ensuing time period,
12 I learned more that the product had not been what I thought it
13 was -- had been while I was still employed at Lehman. Meaning,
14 not as -- not as big, not as many counterparties, not as much
15 notional. And therefore, I recall I established that QVT was,
16 in fact, a much larger counterparty in the PCDS product than I
17 would have believed prior to the bankruptcy.

18 Q And you also discussed with Ms. Sawyer certain
19 conversations you had with Mr. Chu in the years since October
20 of 2008. Do you recall that testimony?

21 A Yes.

22 Q And what, if anything, do you recall about the substance
23 of those conversations as it relates to PCDS?

24 A I recall Arthur asking me if it was possible for me to
25 help QVT find other counterparties that traded PCDS with

1 Lehman. Again, not asking me to divulge the names but asking
2 if those counterparties would be interested in having a
3 conversation with his fund.

4 Q I believe in that regard you mentioned a conversation
5 relating to AIG, is that correct?

6 A Yes.

7 Q Did you discuss QVT with any other potential
8 counterparties?

9 A Did I personally discuss QVT with other counterparties?
10 No.

11 Q Or did you discuss with Mr. Chu the possibility of
12 connecting QVT with other counterparties?

13 A Yes. I did discuss that, yes.

14 Q Which other counterparties?

15 A I recall one in particular. It was AIG. Another I recall
16 in particular was Deutsche Bank ARB.

17 Q And were you successful in connecting those -- QVT and
18 Deutsche Bank?

19 A The AIG -- I remember that we went as far as to ask the
20 question of both, whether or not they wanted to be interested
21 in having a conversation. I do not recall if we actually sent
22 the contact information to the -- I don't recall for certain.
23 I think we did but I don't recall for certain if we sent those
24 two counterparties each other's contact information and then
25 what happened there.

1 Deutsche Bank, I remember specifically calling Reung
2 Bronichari (ph) and asking him if he would be willing to have
3 the conversation. And he said there'd be no reason to do that
4 because everything that he had done within his fund, within
5 Deutsche Bank, had been moved into the -- some of the larger
6 Deutsche Bank derivatives portfolio and that Deutsche Bank
7 would be handling that directly with Lehman.

8 Q If you could turn back to Exhibit 5094 for just a moment.
9 This is the e-mail that had the August 2008 month-end level, is
10 that correct?

11 A Yes.

12 Q Would Lehman be willing to transact with QVT at the August
13 2008 month-end level?

14 MS. SAWYER: Objection. Lack of foundation.

15 THE COURT: Yeah. You're going to have to lay a
16 foundation.

17 BY MR. REGAN:

18 Q I believe in response to Ms. Sawyer's questions earlier,
19 you testified that you provided the month-end levels in Exhibit
20 5094 to QVT, is that correct?

21 A Yes.

22 Q And in providing those levels to QVT, were you providing
23 QVT with actionable levels?

24 MS. SAWYER: Same objection.

25 THE COURT: Why don't you come up?

1 (Sidebar conference off the record)

2 BY MR. REGAN:

3 Q Mr. Neumann, to your knowledge, did Lehman and QVT trade
4 at any of the levels described in Exhibit 5094?

5 A I -- I -- to my knowledge, no.

6 Q And what, if anything, was your intention when you
7 provided the levels described in Exhibit 5094 to QVT?

8 A To try and help them identify where these spreads were in
9 a market that was growing increasingly and more volatile.

10 Q Were you responding to a request from Mr. Chu for
11 tradeable prices?

12 MS. SAWYER: Objection. Leading.

13 THE COURT: It is leading.

14 BY MR. REGAN:

15 Q In providing the information contained in Exhibit 5094,
16 were you responding to any requests from QVT?

17 A I believe I was responding to them asking for month-end --
18 month-end marks. And I do not believe I was trying to provide
19 them the tradeable market.

20 MR. REGAN: That's all I have, Your Honor.

21 THE COURT: All right. Thank you. Ms. Sawyer?

22 MS. SAWYER: Can I just have a moment, Your Honor?

23 THE COURT: Okay.

24 MS. SAWYER: I have no further questions, Your Honor.

25 THE COURT: All right. Thank you.

1 Mr. Neumann --

2 MS. SAWYER: Thank you, Mr. Neumann.

3 THE COURT: -- thank you very much.

4 THE WITNESS: Thank you, Your Honor.

5 (Witness excused)

6 MR. TRACEY: QVT calls Dan Gold.

7 THE COURT: Very good.

8 MS. SAWYER: Your Honor, if we could just have a
9 moment to shuffle.

10 THE COURT: To reshuffle? Yes.

11 MS. SAWYER: Thanks.

12 THE COURT: Come up, Mr. Gold.

13 (Pause)

14 THE COURT: -- tomorrow because since I have to dash
15 out of here at 12:30 at the latest, I just want -- I just want
16 it to be clear that we know what our game plan is for tomorrow.

17 So do you anticipate, Mr. Tracey, that we will
18 conclude with Mr. Gold today?

19 MR. TRACEY: I do.

20 THE COURT: You do. But not including cross-
21 examination.

22 MR. TRACEY: Not sure, Your Honor.

23 THE COURT: That's a question.

24 MR. TRACEY: I don't think so. I mean, I think --
25 you have, what, about an hour?

1 MR. TAMBE: Roughly.

2 THE COURT: Okay.

3 MR. TRACEY: I don't think we'll be done with cross-
4 examination.

5 THE COURT: All right. So we'll have to see how long
6 that takes and when we get there.

7 So then tomorrow, just in terms of points that I need
8 to make you aware of, I have a conference call at 1 o'clock
9 tomorrow. So we're going to have to have a lunch break from 1
10 to 2. And then I have a hard stop at 4 for another matter that
11 I need to hear. So that'll be -- that's just for tomorrow.

12 And I would appreciate being able to start at 10
13 tomorrow since I'm getting back late tonight from out of town.
14 All right?

15 MR. TRACEY: That'll work fine, Your Honor.

16 THE COURT: Okay. All right.

17 All right. Mr. Gold, would you please stand and
18 raise your right hand, please?

19 (Witness sworn)

20 THE COURT: Very good. Have a seat and make yourself
21 comfortable.

22 DIRECT EXAMINATION

23 BY MR. TRACEY:

24 Q Good morning.

25 A Good morning.

1 Q Would you state your name for the record, please?

2 A Daniel Gold.

3 Q And would you describe your educational background,
4 please?

5 A I graduated in 1989 from Harvard College with a bachelor's
6 degree in physics.

7 Q Any other education, formal or informal?

8 A I have lots of informal. Nothing formal.

9 Q After you graduated from college, where did you go to
10 work?

11 A Bear Stearns.

12 Q And what did you do there?

13 A I worked in a statistical arbitrage group programming
14 computer models for trading stocks.

15 Q And how long were you there?

16 A I was there for about nine months.

17 Q And what did you do after that?

18 A I went to Daiwa (ph) where I joined senior members of that
19 group who had moved there.

20 Q And what did you do at Daiwa?

21 A At Daiwa, it was a proprietary trading group also like at
22 Bear but with broader responsibilities. And I did programming
23 and increasingly trading and modeling of derivatives.

24 Q And how long were you at Daiwa?

25 A I was at Daiwa for a little over two years.

1 Q And where did you go after that?

2 A I went to Deutsche Bank.

3 Q And what was your position at Deutsche Bank?

4 A So I joined a department called Global Equity Derivatives.
5 And my role was to value, structure, model and trade equity
6 derivatives for clients and for the proprietary account at the
7 bank.

8 Q And did your responsibilities change at all over the
9 course of your time at Deutsche Bank?

10 A Yes. In fact, very quickly after I got there, the
11 department lost its senior management and a lot of other
12 personnel and my role shifted over to proprietary trading
13 exclusively.

14 Q And did that -- how did that proprietary trading desk
15 evolve over time?

16 A Okay. So initially, it was just myself, but after about a
17 year of solid profitability, I was given permission to hire
18 first one person then another person, and over time it grew
19 very substantially. I was at Deutsche Bank for 11 years and
20 ultimately we became the largest proprietary trading group
21 there.

22 Q And were you responsible for that desk during that
23 11-year period?

24 A Yes, I was.

25 Q And is that the desk that ultimately became QVT at

1 Deutsche Bank?

2 A Yes, at some point our name became the QVT department.

3 Q Okay. And did the other managing members of QVT today
4 work at that desk?

5 A Yes, they did. They all did.

6 Q And how did they come to work there?

7 A Okay. So I hired them one by one. My first hire ever was
8 Lars Bader who ultimately became a managing member, although he
9 is not one currently. My second was Tracy Fu in 1994. The
10 next was Nick Brumm I think in 1999. And then the last one was
11 Arthur Chu in 2002 I think.

12 Q And did you hire Mr. Fu to engage in any particular type
13 of trading or activity?

14 A Tracy assisted me in everything that I was doing. So both
15 trading, modeling, programming, essentially everything.

16 Q And what about Mr. Brumm?

17 A Mr. Brumm, his role is a little more specific because of
18 his legal background. He initially focused on legally intense
19 investments such as distressed and
20 bankruptcy-related investments.

21 Q And what did you hire Mr. Chu to do?

22 A Well, initially, because Arthur's background was in asset-
23 backed securities, we assumed that there might be some
24 connection to that. But we also considered, and I, in general,
25 considered, all these guys to be very smart and capable of

1 learning new things and potentially trading many different
2 products and strategies.

3 Q And did you hire Yi Sen at Deutsche Bank?

4 A Well, he worked at Deutsche Bank in another group, in the
5 risk management group, but at some point, I think in 2003 or
6 early 2004, I took him into my group.

7 Q And what about Joel Wollman?

8 A Okay. Right. So my memory is that Joel Wollman was a
9 friend of another college classmate and friend or at least good
10 acquaintance of another guy who worked for me at that point
11 named David Grossman, and he joined us, I think, in 2004.

12 Q And what about Tom Knox, did he work there?

13 A Yes. So Tom Knox joined later. And the connection there
14 is that Tom was, I believe, Joel's roommate in college for most
15 or all of his time at Harvard and very good friends with Joel.

16 Q And did there come a time when you decided to leave
17 Deutsche Bank?

18 A Yes. That was in the first quarter of 2003.

19 Q And what was the reason for your deciding to leave?

20 A Well, fundamentally, although Deutsche Bank had been a
21 wonderful experience and opportunity for us we wanted to see if
22 we could make it as an independent company. We had been
23 managing a hedge fund for Deutsche Asset Management alongside
24 our proprietary trading book and the returns were good and the
25 clients were encouraging us, so we thought we could do it and

1 we decided to try it.

2 Q And when did you actually make that move?

3 A So we worked out a lengthy transition period of about a
4 year with Deutsche Bank, and so in November of 2003, we
5 launched the new QVT Fund and in the first quarter of 2004, we
6 formally resigned as employees from Deutsche Bank.

7 Q And what is your current position at QVT?

8 A I'm the CEO and the CIO, the chief investment officer.

9 Q And has that been your position throughout your tenure at
10 QVT?

11 A Yes, it has.

12 Q And could you give the Court an understanding of what your
13 responsibilities were, let's say, back in 2008 as CEO and CIO?

14 A Okay. So as CIO, essentially, I was ultimately the senior
15 most person in charge of the whole portfolio and its risks and
16 performance. I was also a portfolio manager so I directly
17 managed my own positions and I had others -- other more junior
18 portfolio managers reporting to me. As CEO, I was the senior
19 most manager of the firm and I communicated with investors. I
20 also played a role in managing the technology efforts of the
21 firm.

22 Q I'd like to ask you a few questions about the investment
23 or philosophy of the fund. Does QVT have an investment
24 approach?

25 A Okay. So we are what's called a multi-strategy absolute

1 return fund. So we trade substantially all types of financial
2 instruments and across the entire capital structure. That's
3 the multi-strategy part. And we're both long and short in an
4 effort to produce solid returns in both up and down markets.
5 That's the absolute return part.

6 Q Okay. If I could maybe take you back to the 2005 to 2007
7 period. Would you describe what market developments, if any,
8 were affecting your strategy and your investment portfolio at
9 that time?

10 A Okay. So in 2005, it first became possible to short
11 subprime RMBS tranches by buying pay-as-you-go CDS. And we
12 began a very serious effort to do that in size because we had
13 long been concerned about the U.S. housing market and what it
14 might do if there was a bubble and it popped.

15 In 2006, that -- we continued to increase our position
16 which, in general, was losing money, although by the end of the
17 year we sort of got it all back very rapidly as market
18 perceptions changed.

19 In 2007, after the first few months, it became clear that
20 our fears were correct. We no longer worried about the trade
21 not working out and we started to worry about what the
22 consequences might be for the rest of the financial system or
23 for particular banks.

24 Q And how did that affect your investing on trade?

25 A Okay. Well, at some point, it became impossible to buy at

1 reasonable prices any more protection on subprime RMBS
2 tranches, so instead, we sought to buy other things that could
3 provide similar asymmetric returns. And we ended up buying
4 large amounts of protection on banks and broker dealers, also
5 on more exotic asset-backed securities like CDOs or CDOs
6 squared, and we bought PCDS during this time.

7 Q Let me move toward the September 2008 period. Do you
8 recall that there was a conservatorship placed on Fannie Mae
9 and Freddie Mac?

10 A Yes. I believe that was September 6th.

11 Q And what was your own perception about the effect of that
12 on your portfolio on the markets?

13 A Well, it initially caused a short squeeze, I recall,
14 because as part of the conservatorship, the U.S. Treasury
15 guaranteed the debt, the senior and subordinated debt of Fannie
16 and Freddie, so it caused a short squeeze like the many that
17 had occurred earlier in the year. But at the same time, it was
18 very, very negative for both what it said about the danger of
19 the contagion that subprime mortgages were spreading and, in
20 particular, it reinforced the U.S. government's desire to
21 prevent moral hazard by dealing a very harsh blow to the equity
22 and preferred equity of financial institutions that it was
23 saving.

24 Q Did there come a time when you began to be concerned about
25 the financial viability of Lehman Brothers?

1 A So Lehman Brothers was sort of in the spotlight ever since
2 the Bear Stearns failure or rescue in March, and its stock was
3 underperforming other banks and brokers. But it wasn't really
4 until the week prior to the bankruptcy that the stock really
5 started plummeting.

6 So our concern started to pick up dramatically in
7 September and particularly in the week prior to the bankruptcy.

8 Q And did QVT take any steps to address the risk that that
9 posed to QVT?

10 A Yes. We took several steps.

11 Q And what were they?

12 A So one was moving positions out of prime brokerage that we
13 held with Lehman. Another one was trying to know the
14 derivatives, mostly long CDS positions from Lehman to other
15 dealers. Another was buying protection on Lehman Brothers
16 facing other dealers and to a certain extent also buying
17 protection on other dealers facing yet still other dealers on
18 the theory that their performance would be correlated with
19 Lehman's.

20 Q Did you have any communications with your investors at
21 around this time about the risk posed to QVT by Lehman?

22 A Yes.

23 Q Would you take a look, there's a book in front of you that
24 should have Defendant's Exhibit 5464 in it. Do you see that?

25 A Yes. Yes.

1 Q And can you identify that document, please?

2 A Okay, sure. This is an e-mail that we sent -- an
3 estimated performance e-mail, we called them, that -- this is
4 one of many that we sent throughout the year. This one we
5 sent, of course, on September 11th.

6 Q Okay. And was this normal to send out a communication at
7 that time of the month?

8 A No. Our normal schedule was to send an e-mail at the end
9 of the month announcing estimated performance and giving some
10 commentary on markets and performance of individual investments
11 and then, in the middle of the month, to send an abbreviated
12 one with just the performance numbers. But ever since around
13 the time of Bear Sterns, because markets were much more
14 volatile and bad than usual, we had gotten into a nearly weekly
15 schedule of sending these e-mails.

16 Q Okay. And would you identify for the Court, please, what
17 information you were providing to your investors with regard to
18 the exposure to the possible failure of Lehman?

19 A Okay. So I identified two sources. The first consists of
20 initial margin, equity and repo, equity and prime brokerage.
21 This is in the last paragraph of page 1. And I note that we
22 have CDS on Lehman that's intended to protect that, the
23 exposure. And then on the next page, I discuss what I call
24 replacement risk.

25 Q And what is replacement risk?

1 A So I say that it's the risk that -- the CDS that we would
2 lose when it's terminated because of the Lehman bankruptcy,
3 that positions become unhedged and they go down without any
4 offsetting hedge to protect them. Because -- and before one
5 can acquire a replacement, a CDS, the cost of that has
6 increased considerably.

7 Q Okay. Did there come a time when you learned that, in
8 fact, Lehman had, in fact, filed for bankruptcy protection?

9 A Yes.

10 Q And when did you learn that?

11 A I don't remember precisely, but I guess by Sunday
12 afternoon, the reports were that all the attempts to try to
13 strike a deal to save it had failed and so it looked very
14 likely at that point.

15 Did you ask when did I learn that it had or --

16 Q Right. When did you actually learn that it had filed?

17 A That would have been when I woke up on Monday morning.

18 Q And what steps, if any, did QVT take with regard to its
19 open positions with Lehman at that time?

20 A Okay. So later in the day, we terminated our ISDA with
21 Lehman and then set about the process of valuing our claim
22 under the termination.

23 Q And why did you terminate the positions at that time of
24 the ISDA?

25 A Well, I think fundamentally we needed the certainty of

1 knowing what was in our portfolio and it was a very uncertain
2 and disadvantageous situation to have the insolvent
3 counterparty to CDS positions. So we felt that we needed to do
4 that to be able to properly manage the risk of the portfolio.

5 Q And what was the -- what was your trading desk like and
6 what was your reaction to the filing by Lehman?

7 A Well, as far as my reaction even very shortly before, I
8 didn't think that Lehman would be allowed to fail or at least
9 not in the sort of disorganized way that it did, so -- and in
10 fact the bond market was trading Lehman's bonds at -- I think
11 like 86 cents on the dollar or Thursday so the market also --
12 that was consistent with a view like that. So I was quite
13 surprised that it actually happened. It was an eerie
14 environment. Already prior to that, liquidity had been
15 gradually disappearing from markets and this was clearly going
16 to make it worse.

17 Q I think you referred earlier to valuing your claims. Were
18 you aware that as part of the ISDA termination that QVT needed
19 to do a market quotation process?

20 A Yes, I was.

21 Q Did you have any involvement in that process?

22 A I had a little involvement.

23 Q And what was that?

24 A So I played a small role in helping to determine what the
25 language of the market quotation would be, and when the form of

1 that was settled. I also sent by e-mail to certain dealers the
2 market quotation spreadsheets and called them to let them know
3 that it had been sent and that we wanted them to supply us with
4 a response.

5 Q Were you aware that there was a loss calculation that was
6 required after the market quotation process?

7 A Yes. It was my understanding for those items for which
8 market quotation had failed that that there was a loss
9 calculation to be performed.

10 Q And what, if any, was your involvement in that process?

11 A Essentially, none.

12 Q Did you value any of the positions yourself?

13 A No. I valued none of the positions.

14 Q Did you review the work of those who did value the
15 positions?

16 A No, I did not.

17 Q And is there any particular reason you weren't involved in
18 that process?

19 A Well, the managing members decided that the most effective
20 and efficient way to handle it was that the traders who were
21 responsible for those positions who had done those trades would
22 be the ones to do the valuations, and since I had directly
23 traded very, very few of them, the small number that I had was
24 redistributed among those that did. And we were a very large
25 fund back then and we had a large portfolio to take care of in

1 very difficult markets and there was no -- I wasn't really
2 going to be contributing much additional to that progress
3 whereas I was needed very much on managing the rest of the
4 portfolio, speaking to investors, and all that sort of thing.

5 Q After the Lehman filing, did you communicate with your
6 investors about the risk or exposure to Lehman?

7 A Yes. We did soon after follow up with another similar
8 estimated performance email.

9 Q Let me direct your attention to -- in your book,
10 Defendant's Exhibit 5466.

11 A Okay.

12 Q Is that the communication you were just referring to?

13 A Yes. Yes, it is.

14 Q And was that sent out on or about September 23rd, 2008?

15 A Yes, in the evening.

16 Q And again, if you would identify for the Court, please,
17 what specific information you were communicating to your
18 investors about the exposure to the Lehman bankruptcy.

19 A Okay. So again, I'm making the same sort of distinction
20 that I was in the prior e-mail between what I'm calling
21 exposure and I list the same components of that.

22 Q And where is that?

23 A That's in the bottom paragraph of page 1. So I'm making
24 the distinction between exposure and replacement risk. And I
25 note that we had a CDS on Lehman which covered the exposure

1 part of the risk but not the replacement risk. And I give an
2 example early on, the beginning of page 2, of replacement risk.

3 Q And what's your example?

4 A Okay. So this was an actual example of a position that we
5 held where we were long certain Argentine bonds and we were
6 short both other different Argentine bonds and long protection
7 in the form of a CDS facing Lehman. And then as a result of
8 Lehman's bankruptcy and the termination, those long positions
9 became unhedged and then the Argentine credit spread widened
10 and continued to widen and so those long positions lost money
11 for the fund.

12 Q Let me take you to the next paragraph under "Lehman
13 Brothers", the second sentence -- well, in the first sentence
14 are you referring to the loss claim calculation process that
15 you referred to earlier?

16 A Yes. I'm saying it's a very time-consuming process and
17 it's not -- we haven't finalized it at this point.

18 Q And then in the second sentence you say: "Lost profit
19 opportunities may also count as damages. That is, it is
20 possible to be damaged even if one doesn't actually lose money
21 if one had made money but for the counterparty's defaults."

22 What did you mean by that?

23 A Well, so if a fund -- well, by way of example, say a fund
24 has its only position a long CDS maybe on Argentina, to keep
25 the example consistent, then if the same thing happens, Lehman

1 files for bankruptcy and the CDS is terminated, because there
2 was initial margin equal to the mark both for collateral and
3 for the funds in AV, the funds in AV wouldn't decline as a
4 result of that termination, but the funds still would be
5 damaged because it would have made money on that CDS if it
6 weren't terminated because Argentine credits bids rose and the
7 value of that CDS would have been higher.

8 So, in the example, the funds in AV didn't decline so the
9 fund investors didn't lose money. But the fund -- but
10 nevertheless, they suffered damage because they lost the
11 opportunity to profit on the increased value of the CDS.

12 Q Let me turn to a slightly different subject. I think
13 we're finished with that document.

14 Did -- I'm going to go back again to 2008 and talk about
15 QVT's valuation policy. Did QVT have a valuation policy in
16 2008?

17 A Yes, we did.

18 Q And where would we find that valuation policy?

19 A Well, the full valuation policy was an internal document
20 of ours, although it was described in the fund's offering
21 memoranda and in the -- on the financial statements that the
22 fund completed each year and sent to its investor.

23 Q And what was -- in brief terms, what was QVT's valuation
24 policy with regard to derivative transactions?

25 A Okay. So both our valuation policy and FAS-157, which was

1 effective as of this time, emphasized the use of both external
2 marks or external sources of information for determining marks.
3 They expressly did not want funds making up their own
4 valuations. And then both, again, FAS-157 and our policy,
5 emphasized the necessity of marketing positions to where we
6 actually thought we could exit the position. So that's the
7 essence of it.

8 Q Okay. And let me -- you mentioned your financial
9 statements. Let me ask you to go back to the book and open up
10 to Defendant's Exhibit 5254. Are those your financial
11 statements for 2008?

12 A Yes.

13 Q Let me ask you to take a look at page 43.

14 A Okay. I'm there.

15 Q Is that the statement of your valuation policies that your
16 mentioned earlier?

17 A Yes.

18 Q And would you direct us to where in that valuation policy
19 you refer to FAS-157 and how you marked your derivative
20 positions?

21 A All right. So I guess all of page 43 is a discussion of
22 FAS-157, but the discussion of -- the word "observable" appears
23 throughout it, and it sort of sets up a hierarchy of validity
24 where the highest type is directly observable. Then there's
25 third party providers and sort of at the very bottom of

1 everything is, in the absence of all the above, unobservable
2 quotes that are the judgment of the investment manager.

3 Q And practically speaking, how did that apply in 2008 to
4 the illiquid derivative positions that QVT held?

5 A Well, I think for all of our ISDA counterparties the
6 investment bank, the dealer was both the valuation agent and
7 the calculation agent, which means that they're the ones who
8 determine the marks for collateral purposes say. And in
9 practice, they were also providing those same levels and we
10 used them for our NAV marks.

11 Q You mention collateral. What is the purpose of collateral
12 under an ISDA agreement?

13 A It's to secure the value as of the prior trading day based
14 off of the party's collateral marks in the event that there
15 were to be a default of the counterparty who's out of the
16 money.

17 Q And generally speaking, how were collateral amounts
18 determined in 2008?

19 A Okay. Like I said, the investment bank was the valuation
20 agent and so it determined the collateral mark. Our process
21 was to compare our numbers with those and, absent manifest
22 error, agree with the calculation agent.

23 Q And so was QVT holding collateral on the positions facing
24 Lehman at the time of the bankruptcy?

25 A Yes.

1 Q And what was the effect on the NAV of QVT's fund with
2 regard to the Lehman facing positions when Lehman filed for
3 bankruptcy?

4 A Well, as far as the contribution to NAV of just the
5 derivative positions, by definition, because they were marked
6 at the collateral marks which determined the amount of
7 collateral as of the day before, there was no hit to NAV other
8 than the loss of initial margin when Lehman failed.

9 Q And was that level of collateral sufficient to protect QVT
10 as a result of the losses it suffered from Lehman's bankruptcy?

11 A Well, it -- like I said, there wasn't a decline in NAV
12 from that directly, but, of course, there was a large loss
13 opportunity because of the failure of those positions to
14 increase in value as they would have if there weren't a
15 insolvency of Lehman. So I think the answer is no. Yeah.

16 Q And what's the reason that -- for those losses if it
17 didn't cause a decline in the NAV?

18 A Yeah. Essentially, because those CDS had either become
19 much more expensive to replace or perhaps impossible to
20 replace.

21 Q Okay. Thank you. I have no further questions.

22 THE COURT: Thank you, Mr. Tracey.

23 MR. TAMBE: Could we just have like five minutes to
24 confer?

25 THE COURT: Sure. Do you have a rough estimate of

1 how long you think you'll be?

2 MR. TAMBE: It's not going to be more than an hour.

3 Can we just --

4 THE COURT: Okay. But bear in mind that at 12:30, I
5 run. So we should do -- you're comfortable with stopping in
6 mid-cross?

7 MR. TAMBE: Can we confer with the client for a
8 minute?

9 THE COURT: Yeah. Yeah. Okay. Why don't we take
10 five minutes and then you can tell us what you'd like to do.

11 (Recess from 11:32 a.m. until 11:42 a.m.)

12 THE COURT: Please have a seat.

13 MR. TAMBE: Your Honor, we have no questions for Mr.
14 Gold. We reserve the right to call him in our
15 case-in-chief, if necessary, but we have no questions for him
16 at this time. Thank you.

17 THE COURT: All right. Mr. Tracey, is that all right
18 with you?

19 MR. TRACEY: That's fine with me.

20 THE COURT: Okay. Mr. Gold, thank you very much, you
21 can step down.

22 THE WITNESS: Thank you.

23 (Witness excused)

24 THE COURT: Okay. So here we are. According to my
25 schedule, the next person -- and I'm still working off of your

1 third amended schedule, Mr. Tracey. I know I got an amended
2 witness list, but that starts with the Lehman case. So
3 according to the one that I'm working off of Mr. McDougal (ph)
4 would be next?

5 MR. TRACEY: Yes, Mr. McDougal is next. He's not
6 here in the courtroom today.

7 THE COURT: Okay.

8 MR. TRACEY: He wasn't available, but he's going to
9 be available tomorrow.

10 THE COURT: Okay. All right. So then tomorrow will
11 he take the entirety of the day or will we be going to Mr.
12 Nicolescu (ph)?

13 MR. TRACEY: We'll be prepared to start
14 Mr. Nicolescu.

15 THE COURT: Okay.

16 MR. TRACEY: I hope that it will be done well before
17 the end of the day even with the limited schedule.

18 THE COURT: Okay. Then it looks like we're catching
19 up from where we are. Questions over here?

20 MR. TAMBE: A question just about --

21 THE COURT: Yes.

22 MR. TAMBE: -- Dr. Nicolescu. When you say we think
23 he'll be done, your direct of him?

24 MR. TRACEY: No, no. I think Mr. McDougal will be
25 done before the end of the day and we'll start

1 Dr. Nicolescu.

2 MR. TAMBE: Okay. All right.

3 THE COURT: Okay.

4 MR. TAMBE: So anticipate --

5 THE COURT: So then we are --

6 MR. TRACEY: We're not going to finish tomorrow.

7 MR. TAMBE: Yeah.

8 THE COURT: Okay. So then we are exactly right on
9 schedule. Okay. That's terrific. Thank you very much. We'll
10 see you tomorrow.

11 MS. SAWYER: Your Honor, I have one question.

12 THE COURT: Yes.

13 MS. SAWYER: I believe Thursday we have a half day
14 that day. And I was just --

15 THE COURT: Yes.

16 MS. SAWYER: And there was the afternoon --

17 THE COURT: It was.

18 MS. SAWYER: I was just curious what time in the
19 afternoon we begin at.

20 THE COURT: I think 1:30 would probably work. Is
21 that okay with you?

22 MR. TRACEY: Sure.

23 THE COURT: And then we'll take it to, you know, the
24 5:30, even towards 6 o'clock to help you make up that time.
25 All right?

1 Okay. Thank you very much. See you tomorrow.
2 (A chorus of thank you)
3 (Whereupon, these proceedings were concluded at 11:44
4 a.m.)

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I N D E X

T E S T I M O N Y

WITNESS	EXAM BY	PAGE	LINE
Michael Neumann	Ms. Sawyer	6	11
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C E R T I F I C A T I O N

We, Lisa Beck and Dawn South, certify that the foregoing
transcript is a true and accurate record of the proceedings.

Lisa Beck

Digitally signed by Lisa Beck
DN: cn=Lisa Beck, o, ou,
email=digital1@veritext.com, c=US
Date: 2017.02.28 15:21:43 -05'00'

Lisa Beck (CET**D-486)

AAERT Certified Electronic Transcriber

Dawn South

Digitally signed by Dawn South
DN: cn=Dawn South, o, ou,
email=digital1@veritext.com,
c=US
Date: 2017.02.28 15:22:15 -05'00'

Dawn South (CET**D-408)

AAERT Certified Electronic Transcriber

Veritext Legal Solutions

330 Old Country Road

Suite 300

Mineola, NY 11501

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